

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
MARCH 8, 2001

The Members of the Department of Financial Institutions met at 9:00 a.m., EST, at 402 West Washington Street, Room W-066, Indianapolis, Indiana, on Thursday, March 8, 2001. Members present were Norman Lowery, Chairman; Gary M. Smith, Vice Chairman; Tony Zaleski, Ronald E. Depasse, David D. Baer, Mrs. Loretta M. Burd and James L. Saner. Also present from the Department were Charles W. Phillips, Director; J. Philip Goddard, Chief Counsel, Deputy Director, Non-Depository Institutions and Secretary; James M. Cooper, Deputy Director, Depository Division; Randall L. Rowe, Bank Supervisor; Gina R. Williams, Senior Bank Analyst; Mark K. Powell, Supervisor, Credit Union Division, Mark Tarpey, Division Supervisor, Consumer Credit Division; Chris McKay, Legal Assistant and Ronda Bailey, Administrative Secretary.

I. PUBLIC SESSION

- A.) Attendance
- B.) Date of next meeting: April 5, 2001 @ 9:00 a.m.
- C.) A motion was made for approval of the minutes of the meeting held February 8, 2001 by Mr. Baer and was seconded by Mr. Saner. **The minutes were unanimously approved.**

DIVISION OF BANK AND TRUST COMPANIES

1.) Lea M. McMullan Trust and Citizens Union Bancorp of Shelbyville, Inc., Shelbyville, Shelby County, Kentucky

Ms. Gina R. Williams, Senior Bank Analyst, presented this application. The Lea M. McMullan Trust and its subsidiary, Citizens Union Bancorp of Shelbyville, Inc., ("Citizens") have applied to the Members as foreign bank holding companies to acquire 100% of Dupont State Bank ("Dupont"), Dupont, Jefferson County, Indiana. Ms. Williams explained that the Lea M. McMullan Trust was approved as a holding company in 1995 due to its control of 35.55% of Citizens stock. That is why it is also listed as an applicant.

Citizens and Dupont entered into an Affiliation Agreement dated October 24, 2000 whereby Citizens would acquire Dupont's 16,000 shares of common stock. Pursuant to the Affiliation Agreement, Citizens formed CUB Interim Bank to facilitate the acquisition of Dupont. The interim bank was approved under delegated authority on January 16, 2001, and incorporated on January 19, 2001. CUB Interim Bank and Dupont entered into a Bank Merger agreement dated February 1, 2001 whereby Dupont would be the survivor of the merger.

Upon consummation of the merger, each share of Dupont common stock will be converted into the right to receive \$158.00. The transaction consists of an aggregate cash purchase price of \$2,528.00. As of September 30, 2000, the book value of Dupont's common stock is

\$105.87. The purchase price represents a premium of \$52.13 or 1.49x book value. Citizens will borrow \$2 million of the purchase price with the remaining coming from cash on hand. Citizen's long term debt will increase to approximately 10.13% of total equity as a result of the borrowing. Citizens' other wholly owned bank subsidiaries are Citizens Union Bank of Shelbyville, Shelbyville, Kentucky and First Farmers Bank and Trust Company, Owenton, Kentucky.

As of September 30, 2000, Citizens had consolidated total assets of \$392 million, deposits of \$234 million and total equity capital of \$39 million. Dupont had total assets of \$20 million, deposits of \$18 million and equity capital of \$1.7 million. Proforma combined financial statements as of March 31, 2001, reflect Tier 1 capital to total assets of 10.18%, total assets of \$415 million and total equity capital of \$42 million for Citizens.

Citizens received a Satisfactory BOPEC rating at its last bank holding company inspection which commenced on June 26, 2000. Citizens' subsidiary banks and Dupont each received Satisfactory CRA ratings at their most recent examinations for compliance with the Community Reinvestment Act.

After the acquisition, the senior management of the bank will remain unchanged. The board of directors of the bank will be expanded to include Billie Wade and Edward Hayes. Mr. Wade is Director, President and CEO of Citizens Union Bank and Secretary and Treasurer for the holding company. Mr. Hayes is President and director of the holding company.

The Federal Reserve Bank of St. Louis approved of their application on February 12, 2001. The Federal Deposit Insurance Corporation approved the merger of CUB Interim Bank and Dupont State Bank on February 21, 2001. The Director approved the merger under delegated on February 27, 2001, subject to the condition of the Members approval of the acquisition. No negative factors or comments were received by this Department which would adversely affect Citizens, Dupont or the communities they serve.

It is the opinion of the staff that the applicants have satisfactorily met the requirements of IC 28-2-16 and therefore recommends the Members' approve of the acquisition of Dupont State Bank by the Lea M. McMullan Trust and its subsidiary, Citizens Union Bancorp of Shelbyville, Inc.

Mr. Smith asked if it was common to see a trust as a holding company. Mr. Phillips indicated a long time ago but not anymore.

A motion for approval of the application was made by Mr. Smith and seconded by Mrs. Burd. **The application was unanimously approved.**

CONSUMER CREDIT DIVISION

1.) INDIANAPOLIS HEBREW CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA

This application was presented by Mark K. Powell, Supervisor, Credit Union Division. Indianapolis Hebrew Credit Union (IHCU) has applied to the Members of the Department of Financial Institutions for approval of their proposed voluntary dissolution.

Mr. Powell explained to the Members that this is a voluntary dissolution. The Manager of IHCU, Mr. Louis Schabler no longer, wants to retire and no one wishes to take on the job. Mr. Powell explained that IHCU was negotiating with Central Federal Credit Union of Indianapolis to buy the loans and long term investments of IHCU on a dollar for dollar basis. Mr. Powell then reported that if these negotiations were not successful then Mr. Schabler would buy the loans and investments on a dollar for dollar basis as permitted by law. Mr. Powell assured the Members that IHCU had more than enough capital to dissolve the credit union and pay each member more than a dollar for each dollar of shares.

Mrs. Burd asked Mr. Powell when the credit union was formed, Mr. Powell replied that he thought that IHCU had been formed in 1933.

A motion for approval of the application was made by Mrs. Burd and seconded by Mr. Zaleski. **The motion to approve the voluntary dissolution of Indianapolis Hebrew Credit Union was unanimously approved.**

DIRECTOR'S COMMENTS AND REQUESTS

A.) Source Bank, South Bend, St. Joseph County, Indiana

On January 30, 2001, the bank notified the Department of its intent to establish a wholly owned qualifying subsidiary, 1st Source Investment Advisors, Inc. The subsidiary will perform investment management services for 1st Source Bank's proprietary mutual funds and trust customers that were previously performed directly by the investment division of the trust department. **This item was for informational purposes only.**

B.) 1st Source Bank, South Bend, St. Joseph County, Indiana

The bank notified the Department that they closed the branch banking office that was known as the "Stevensville Banking Center" located at 5631 Cleveland Avenue, Stevensville, Berrien County, Michigan on February 16, 2001 @ 5:00 p.m. **This item was for informational purposes only.**

C.) Phil Goddard distributed a list of bills he is monitoring in the Legislature. A status report was given concerning two bills the department had drafted and explained that both were

progressing with no votes against either of them. Mr. Goddard and Director Phillips also made a report to the Members on a meeting that transpired with themselves and representatives from the Governor's office and three representatives from the payday lending industry. The meeting had been contentious and demanding that the department participate in legislation with the industry authorizing and establishing parameters of the payday industry. Under the current circumstances, Director Phillips reported that he had refused to involve the department with the promotion of legislation concerning this topic. The Members expressed concern about the propriety of the former chief of staff of the former attorney general's office now representing the industry that had sued the department.

- D.) Director Phillips will advise the Members of actions taken pursuant to Delegated Authority. Mr. Phillips asked for any questions or clarifications of the actions, which are as follows:

DIVISION OF BANK AND TRUST COMPANIES

1.) **FARMERS STATE BANK, NEW ROSS, MONTGOMERY COUNTY, INDIANA**

The bank is requesting approval to exercise its option to purchase the premises of its branch located at **1661 US 231 South, Crawfordsville, Montgomery County, Indiana**. The branch was approved on June 9, 1998 under delegated authority. At that time, the bank did not have sufficient sound capital or undivided profits to purchase the premises without violating IC 28-1-11-5(b). The branch was approved conditioned upon the bank obtaining the Department's approval prior to exercising its option to purchase the building. The contract payoff on the branch was approximately \$679M as of December 31, 2000. If the request is approved, the board of directors will authorize the transfer of \$1.2 million from undivided profits to surplus. The resulting investment in real estate and buildings to sound capital will be 49%. The bank's income for 2000 was \$375M and ROA was 0.97%. Projected net income form 2001 is \$450M. The bank is not anticipating paying dividends to its holding company, The New Ross Bancorp, in 2001. **The Director approved this on February 12, 2001, under Delegated Authority.**

2.) **CENTIER BANK, WHITING, LAKE COUNTY, INDIANA**

The bank has requested permission to hold a piece of other real estate in excess of the ten-year limitation prescribed in IC 28-1-11-5(c). The bank obtained the property on May 10, 1988 for debts previously contracted. The other real estate is a commercial building located at the corner of 15th and Michigan Avenues in Gary, Indiana. The bank holds a ¼ interest in the property while three other individuals each own a ¼ interest. The property is currently leased. The bank receives \$20,000 in rental income each year. The bank has been trying to obtain a copy of the lease and appraisal from the attorney but has been unsuccessful. The attorney is one of the individuals who own a ¼ interest in the property. This same attorney offered the bank \$50,000 for its ¼ interest in the property but the bank believes the property is worth more. The property has been written down to \$1.00 on the bank's books. Assistant Vice President Charles E. Goetz believes there is 4 ½ years remaining on lease. The bank's tier 1 leverage capital ratio as of September 30, 2000, is

7.21% and ROA is 1.15%. Allowing the bank to continue to hold the real estate does not

appear to endanger the safety and soundness of the bank. It is recommended that the bank be granted an extension to hold the real estate until March 31, 2002, at which time it will be necessary for the bank to provide definite plans and a timetable for disposal of the real estate if it still owned by the bank. **The Director approved the extension until March 31, 2002, under Delegated Authority on February 12, 2001.**

3.) **DUPONT STATE BANK, DUPONT, JEFFERSON COUNTY, INDIANA**

Dupont State Bank ("Dupont"), Dupont, Jefferson County, Indiana has filed an application for approval to merge with CUB Interim Bank ("CUB"), Dupont, Jefferson County, Indiana. CUB is an interim bank formed solely to facilitate the acquisition of Dupont by the Lea M. McMullan Trust and its subsidiary, Citizens Union Bancorp of Shelbyville, Inc. ("Citizens"), Shelbyville, Shelby County, Kentucky. Dupont will survive the merger. The name of the surviving bank will be Dupont State Bank and the main office will be located at 10525 NW Front Street, Dupont, Jefferson County, Indiana. The approval of this merger is contingent upon the approval by the Members of the Department of the acquisition of Dupont State Bank by the Lea M. McMullan Trust and its subsidiary, Citizens Union Bancorp of Shelbyville, Inc. **The Director approved this on February 27, 2001, under Delegated Authority.**

4.) **APPOINTMENT OF ADMINISTRATIVE LAW JUDGE**

The staff of the Department recommends the appointment of J. Philip Goddard to preside as administrative law judge at a hearing to be held on March 14, 2001, at 10:00 a.m. in the boardroom of the Department. The purpose of the hearing is to determine whether final orders to cease and desist should be issued to 5 general corporations using the word "bank" in their name. **The Director approved this on February 27, 2001, under Delegated Authority.**

DIVISION OF CREDIT UNIONS

1.) **TEACHERS CREDIT UNION, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA**

The credit union has filed a request for approval of a Petition for Approval of a Proposed Amendment To the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Indiana Rural Water Association, Inc. (Employees, Employees of Water or Sewer Corporations/Districts, Employees of organizations engaged in the development, production, treatment and delivery of domestic water and sustaining Engineers) – Nashville – 5,750 members (common bond of professional association as defined by 28-7-1-10)

Builders Association of Elkhart County, Inc. (Employees, Board Members, member firms and their employees – Elkhart – 5,000 members (common bond of professional association

as defined by 28-7-1-10)

Choi-Son, Inc. d/b/a Mandarin House – South Bend – 8 members (common bond of

occupation as defined by 28-7-1-10)

Execudine Catering – Carmel – 20 members (common bond of occupation as defined by 28-7-1-10)

Arts Alive – South Bend – 2 members (common bond of occupation as defined by 28-7-1-10)

Peaberry Café and Bakery – South Bend – 7 members (common bond of occupation as defined by 28-7-1-10)

Pendy's Stop N Go, Inc. – Plymouth – 10 members (common bond of occupation as defined by 28-7-1-10)

Silver Screen Video – Granger – 4 members (common bond of occupation as defined by 28-7-1-10)

Polar Seal Products, Inc. – Huntington – 4 members (common bond of occupation as defined by 28-7-1-10)

Crager-Bartels, LLC – Plainfield – 2 members (common bond of occupation as defined by 28-7-1-10)

Pinnacle Systems – Indianapolis – 60 members (common bond of occupation as defined by 28-7-1-10)

Employees of the Catholic Archdiocese of Indianapolis – Indianapolis – 5,000 members (common bond of occupation as defined by 28-7-1-10)

Challenger Rentals – Elkhart – 6 members (common bond of occupation as defined by 28-7-1-10)

Dammer Bottled Water Service – Indianapolis – 14 members (common bond of occupation as defined by 28-7-1-10)

Edison Lake View Associates, LLP – Mishawaka – 4 members (common bond of occupation as defined by 28-7-1-10)

S.J. Tatay Drilling Contractor, Inc. – South Bend – 14 members (common bond of occupation as defined by 28-7-1-10)

Old Catholic Orthodox Church – Indianapolis – 4 members (common bond of Church membership as defined by 28-7-1-10)

The Director approved this on February 2, 2001, under Delegated Authority.

2.) HOOSIER HILLS CREDIT UNION, BEDFORD, LAWRENCE COUNTY, INDIANA

The credit union has filed a request for approval of a Petition for Approval of a Proposed Amendment To the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

St. Raphael Church – Dubois – 10 members (common bond of church membership as defined by 28-7-1-10)

The Director approved this on February 2, 2001, under Delegated Authority.

3.) IPALCO CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA

The credit union has filed a request for approval of a Petition for Approval of a Proposed Amendment To the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

This amendment clarifies that immediate family members of any member of the credit union are eligible for membership.

The Director approved this on February 8, 2001, under Delegated Authority.

4.) TAPER LOCK CREDIT UNION, MISHAWAKA, ST. JOSEPH COUNTY, INDIANA

The credit union has filed a request for approval of a Petition for Approval of a Proposed Amendment To the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Acadia Polymers – Ligonier – 174 members (common bond of occupation as defined by 28-7-1-10)

The Director approved this on February 9, 2001, under Delegated Authority.

5.) INDIANAPOLIS POST OFFICE CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA

The credit union has filed a request for approval of a Petition for Approval of a Proposed Amendment To the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

This amendment places the credit unions' existing field of membership within the Articles of Incorporation rather than the by-laws.

The Director approved this on February 9, 2001, under Delegated Authority.

6.) GENERAL CREDIT UNION, FORT WAYNE, ALLEN COUNTY, INDIANA

The credit union has filed a request for approval of a Petition for Approval of a Proposed Amendment To the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Expressions Salons – Fort Wayne – 8 members (common bond of occupation as defined by 28-7-1-10)

The Director approved this on February 13, 2001, under Delegated Authority.

There being no further business to come before the Members, a motion to adjourn the meeting was made by Mr. Depasse and seconded by Mr. Zaleski. The motion was unanimously approved.

APPROVED:

ATTEST:

Norman L. Lowery, Chairman

J. Philip Goddard, Secretary